

**SPECIAL TOWN COUNCIL MEETING - WEDNESDAY EVENING  
FEBRUARY 24, 2010**

PRESENT: Marshall, Cordeiro, Parella (arrived at 7:10 o'clock PM) and Barboza

ALSO PRESENT: Diane C. Mederos, Town Administrator  
John M. Day, Town Treasurer

ABSENT: Herreshoff

The Council met in special session on Wednesday evening, February 24, 2010 in the Town Hall, Council Chambers, beginning at 7:03 o'clock PM, Council Chairman Marshall presiding.

**Matters Discussed**

1. Interviews re various boards and commissions
2. Review of Audit Report

**Documents Received**

1. Lefkowitz, Garfinkel, etc. Town Council Presentation
2. Lefkowitz, Garfinkel, etc. Basic Financial Statements 2009
3. Lefkowitz, Garfinkel, etc. letter re "In planning and..."
4. Lefkowitz, Garfinkel, etc. letter re "We recently..."
5. Lefkowitz, Garfinkel, etc. letter re "We have audited..."
6. Town Administrator Mederos re Surplus Opportunities

Interview - Economic Development Commission

Adam McGovern

Mr. McGovern of 37 Tilbury Drive appeared before the Council. Council Chairman Marshall asked Mr. McGovern the impetus for his application with Mr. McGovern responding that he had interest in the Commission when it was first formed but it was not convenient for him to apply at that time.

Mr. McGovern added that he recently completed his Masters in Business Administration at the University of Rhode Island and

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that he noted a vacancy in this board on the Town's website and decided to apply.

Mr. McGovern further explained that he is a new homeowner and taxpayer and would like to become more involved in the community and in business and sees the Commission as a means to do so in service to the Town.

Councilman Cordeiro stated that he knew Mr. McGovern personally as a student at Roger Williams University and as Mr. McGovern was involved in the school's athletic program.

Councilwoman Parella arrived at this point in the meeting (7:10 o'clock PM).

A discussion ensued regarding Mr. McGovern's work experience with Council Chairman Marshall noting that Mr. McGovern describes himself as a "team player." Council Chairman Marshall commented that it is important that the Economic Development Commission should operate as a cohesive "team."

Councilman Barboza noted that he was impressed by Mr. McGovern's resume.

There were no further questions posed by the Council and Council Chairman Marshall thanked Mr. McGovern for his interest.

**Annual Audit Report**

Appearing before the Council from the auditing firm of Lefkowitz, Garfinkel, Champi, and DiRienzo were Frank Champi, Principal; Judith Ventura, Audit Senior Manager; and Joan Tracey, Accounting Consultant.

Prior to the commencement of the presentation and discussion regarding the Annual Audit for 2009, Council Chairman Marshall asked Mr. Champi if he was familiar with an operations and efficiency audit with Mr. Champi responding that his firm did participate in that type of audit for government agencies, etc., but not for private industry.

Council Chairman Marshall commented that the Bristol County Water Authority may require this operations and efficiency audit and that a newspaper advertisement requesting proposals from auditing firms will be appearing soon.

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Town Administrator Mederos thanked the Council, the Treasurer and the members of the Lefkowitz firm for their presence this evening. Town Administrator Mederos noted that Mr. Champi has prepared a "thorough presentation" and turned the floor over to him.

Mr. Champi explained that he was presenting information relative to the "Basic Financial Statements" and that the booklet entitled "Town Council Presentation" is intended to be a guide to help understand the more complex financial statements.

Mr. Champi noted that the management of the Town through its Council is responsible for the integrated framework for internal audits and the auditor provides its opinions.

Mr. Champi also informed the Council that it is always possible to find errors and room for improvement and that the auditing firm provides recommendations for corrections on page 61 of the audit report.

Mr. Champi reported that the firm provides an "unqualified opinion" which in auditor terminology constitutes an opinion that the Town's finances are up to standard and that the Town has a "clean opinion" that will be acceptable to the Town's bond rating agencies; Moody's, etc.

Mr. Champi further explained that his firm took on two separate roles in the audit providing an audit team headed by Ms. Ventura and also Ms. Tracey who acted as consultants to Town Administrator Mederos and Town Treasurer Day in order that the Town would make certain improvements to its financial statements in preparation for the audit.

Mr. Champi reported that the relationship between the Town and his firm as it relates to Ms. Tracey is in compliance with federal and state safeguards and presents no conflict of interest.

Councilman Barboza questioned the terminology of "unqualified opinion" in that the connotation appeared to be negative with Mr. Champi confirming that this "unqualified opinion" is the highest (positive) opinion that the firm can provide by auditing standards. He further noted that there are three additional levels of opinions that are progressively inferior. He further noted that the Town did not fall into these categories.

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Council Chairman Marshall expressed concern that there were no members of the press or public at large present this evening with Mr. Champi agreeing to meet with the press if the Council would so choose.

Mr. Champi explained the information provided in the various statements. He noted that the surplus was healthy and recommended that the Town might allocate some of this surplus to support the OPEB (other post-employment benefits) fund which was noted as underfunded.

Mr. Champi also recommended that surplus might be set-aside as a "tax stabilization fund" in order to offset future tax increases.

Councilman Barboza asked to know how the Town's surplus grew with Mr. Champi noting that the Town's fiscal practice to pay through operating and/or notes for capital expenditures and repay same through bonds. Mr. Champi also explained that this was a favorable practice which resulted in the surplus.

Councilwoman Parella stated that she was of the opinion that the recommendations as presented by Mr. Champi were "conceptually good" and that she supported the idea of tax stabilization. She added that she was concerned about making a large contribution to the OPEB trust fund since Federal and State revenue sharing funds are questionable at this time.

A discussion ensued regarding the Town's fiscal condition with Mr. Champi reporting that the Town was fiscally "resilient" and that its "fiscal stress" was in the lower third as compared to the remainder of the state; the highest "stress" being found in the large cities.

Mr. Champi noted that the Town's collection rate of 97% is especially good.

Councilwoman Parella asked that next year's audit report might include comparable figures with Mr. Champi explaining that he planned to do so but could not do so comfortably this year since he was not confident of the figures provided by the previous auditor.

A further discussion ensued with Mr. Champi explaining the details of the audit.

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Council Chairman Marshall asked to know if the Town might consider placing some of its surplus in a fund for sewer improvements with Mr. Champi responding that the Sewer "enterprise fund" as established by the Council several years ago is intended to be supported by the rate payers and not the taxpayers. He recommended that the surplus should not be used for this purpose.

A discussion ensued concerning the "other government funds" with Ms. Tracey noting that the Town eliminated approximately twenty-eight (28) of these found to be dormant.

A further discussion ensued regarding these funds referring to page 16 of the presentation with Mr. Champi noting that the fees charged for planning board engineering services should be raised since this fund runs in deficit.

Council Chairman Marshall noted that the fund might be rightfully subsidized by the Town were the expenses supporting economic development with Town Treasurer Day responding that it appeared that most of the cost was related to housing development.

A discussion ensued regarding the OPEB with Mr. Champi noting that only Newport and Middletown have a fund for this purpose along with Bristol.

A discussion ensued regarding the State's "financial stress report" with Town Treasurer Day agreeing to provide a copy via e-mail.

Mr. Champi reported that this was "a good learning year" for his firm in its relationship with the Town and that the audit provided opportunity for "clean-up." He also noted that the audit took longer than expected but that his policy was to assure that the audit should be completed correctly and that the Auditor General agreed and granted a time extension.

A discussion ensued regarding the surplus with Mr. Champi reporting that the Town has an A- bond rating by Moody's and that this is the highest rating in the State.

Ms. Ventura reviewed the information provided in the three letters and noted the single "Material Weakness" with Mr. Champi explaining that the previous year's audit report noted fifteen (15) material weaknesses.

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The single weakness noted is related to the collection of cash with Town Treasurer Day informing the Council that he understands the need to improve this by segregating some of the duties.

Ms. Ventura reviewed the contents of the three (3) letters in some detail.

Mr. Champi concluded the presentation thanking the Council for the opportunity to serve and stating that he was pleased to be associated with the Town.

Town Administrator Mederos noted the recommendations as provided in her memorandum concerning the surplus noting that these were self-explanatory with Council members in agreement to take these matters under advisement.

There being no further business, upon a motion by Councilwoman Parella, seconded by Councilman Barboza and voted unanimously, the Chairman declared this meeting to be adjourned at 9:15 o'clock PM.

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Louis P. Cirillo, CMC  
Council Clerk